Mabouya Valley Co-operative Credit Union Society Limited

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Financial Statements

31st December, 2020

- MARIO LENDOR -

Mabouya Valley Co-operative Credit Union Society Limited
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(Expressed in Eastern Caribbean Dollars)

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Mario Lendor

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MABOUYA VALLEY CO-OPERATIVE CREDIT UNION SOCIETY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mabouya Valley Co-operative Credit Union Society Limited. ("the Credit Union"), which comprise the statement of Financial Position as at December 31, 2020, the statement of Comprehensive Income, statement of Changes in Members' Equity and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The Credit Union complied with sections 119 (2) of the of the Co-operative Societies Act, Chapter12.06 of the Revised Edition of the Laws of Saint Lucia, when the Credit Union realises a surplus, the society established and maintain a reserve fund where 20% of that surplus is credited to the statutory reserve fund and section 119 (3)(a) where not less than 15% of its members' shares and deposits are kept in a liquidity reserve. The Credit union did not comply with Section 119 (3) (b) of the Co-operative Societies Act, Chapter12.06 of the Revised Edition of the Laws of Saint Lucia requirements regarding statutory and other reserves being, at no stage, less than 10% of its total liabilities.

In our opinion, except for the non-compliance described in the preceding paragraph the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the Co-operative Societies Act Cap 12.06.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the* Audit *of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MABOUYA VALLEY CO-OPERATIVE CREDIT UNION SOCIETY LIMITED

Report on the Audit of the Financial Statements
(Continued)

Other information included in the Credit Union's 2020 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Credit Union's 2020 Annual Report, other than the financial statements and our auditor's report thereon. The Credit Union's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MABOUYA VALLEY CO-OPERATIVE CREDIT UNION SOCIETY LIMITED

Report on the Audit of the Financial Statements
(Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative Societies Act revised edition Chapter 12.06 of 2008. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinion we have formed.

Mario Lendor

Mario Lendor
Chartered Accountants
Castries, Saint Lucia
9th September,2021

Mabouya Valley Co-operative Credit Union Society Limited
Statement of Financial Position
31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Assets				
Cash and cash equivalents	6	$	**4,667,860**	4,360,519
Investment securities	10		**5,472,002**	2,954,222
Accounts receivable and prepaid expenses	7		**689,251**	551,489
Interest receivable			**55,923**	45,533
Property, plant and equipment	11		**372,132**	364,899
Members' loans and advances	8		**7,099,079**	8,336,332
Total assets			**18,356,247**	16,612,994
Liabilities and Members' Equity				
Liabilities				
Accounts payable and accruals	13		**142,938**	99,705
Borrowings	12		**-**	55,720
Members' savings and deposits			**15,855,595**	14,370,474
Total liabilities			**15,998,533**	14,525,899
Members' Equity				
Permanent shares	15		**864,857**	772,058
Members' funds	17-18		**102,163**	350,317
Statutory reserve	16		**1,017,370**	680,454
Undivided earnings			**373,324**	284,266
Total members' equity			**2,357,714**	2,087,095
Total liabilities and members' equity		$	**18,356,247**	16,612,994

Approved by the board of directors:

---------------------------------- President

---------------------------------- Treasurer

Mabouya Valley Co-operative Credit Union Society Limited
Statement of Changes in Members' Equity
31st December, 2020
(Expressed in Eastern Caribbean Dollars)

		Notes	Development Fund	Education Fund	Statutory Reserve	Undivided Earnings	Permanent Shares
Balance as at 1st January, 2019	$		190,934	130,170	591,514	314,508	579,418
Total comprehensive income for the year 2019			-	-	-	352,994	-
Allocation for - Development fund		18	35,299	-	-	(35,299)	-
Education fund		17	-	35,299	-	(35,299)	-
Statutory reserve		16	-	-	88,249	(88,249)	-
Entrance fees			-	-	691	-	-
Members' training expense			-	(41,385)	-	-	-
New shares issued 2019			-		-	-	192,640
Dividends paid on shares			-	-	-	(224,389)	-
Balance as at 31st December, 2019			226,233	124,084	680,454	284,266	772,058
Transfer to statutory reserve			-	-	280,253	-	-
Transfer from education and development fund			(180,986)	(99,267)		-	-
Total comprehensive income for the year 2020			-	-	-	220,618	-
Allocation for - Development fund		18	22,062	-	-	(22,062)	-
Education fund		17	-	22,062	-	(22,062)	-
Statutory reserve		16	-	-	55,154	(55,154)	-
Entrance fees			-	-	1,509	-	-
Members' training expense			-	(12,025)	-	-	-
New shares issued 2020			-	-	-	-	92,799
Dividends paid on permanent shares			-	-	-	(32,282)	-
Balance as at 31st December, 2020	$		67,309	34,854	1,017,370	373,324	864,857

Mabouya Valley Co-operative Credit Union Society Limited
Statement of Comprehensive Income
31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Income:				
Interest on loans and advances to members'		$	**626,065**	842,849
Interest on investments			**219,235**	96,492
Total interest income			**845,300**	939,341
Less: cost of funds:				
Bank charges			**1,712**	1,728
Total cost of funds			**1,712**	1,728
Gross Financial Margin			**843,588**	937,613
Less: Expenditure				
Operating expenses	19		**111,666**	122,548
Personnel expenses	20		**178,260**	179,792
Member meeting expenses	21		**29,567**	26,782
Occupational expenses	22		**112,352**	101,529
Board and committee expenses	23		**9,359**	14,450
CUNA insurance			**110,709**	109,542
Total expenditure			**551,913**	554,643
Operating income			**291,675**	382,970
Other Income	24		**168,445**	144,784
Provision for loan impairment			**(239,502)**	(141,781)
Net income for the year			**220,618**	385,973
Other comprehensive income				
Loss on investment			**-**	(32,979)
Total comprehensive income for the year		$	**220,618**	352,994

Mabouya Valley Co-operative Credit Union Society Limited
Statement of Cash Flows
31st December, 2020
(Expressed in Eastern Caribbean Dollars)

		2020	2019
Cash Flows from Operating Activities			
Net surplus being total comprehensive income for the year	$	**220,618**	352,994
Add/(deduct): Changes to income not involving cash;			
Loss on disposal		**9,984**	756
Depreciation		**17,883**	22,803
Net change in non-cash working capital balances		**248,485**	376,553
Accounts receivable		**(137,762)**	244,065
Interest receivable		**(10,390)**	-
Accounts payable		**43,233**	(250,745)
Training expense		**(12,025)**	(41,385)
Members' withdrawal shares		**434,314**	1,248,440
Members' deposits		**1,050,807**	1,284,853
Members' loans and advances		**1,237,253**	(248,287)
Permanent shares		**92,799**	192,640
Net cash generated from operating activities		**2,946,714**	2,806,134
Cash Flows from Financing Activities			
Borrowings written off		**(55,720)**	-
Entrance fees		**1,509**	691
Dividends paid		**(32,282)**	(224,389)
Net cash used in financing activities		**(86,493)**	(223,698)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(35,100)**	(13,890)
Investments		**(2,517,780)**	33,146
Net cash (used in)/ generated from investing activities		**(2,552,880)**	19,256
Net change in cash and cash equivalents		**307,341**	2,601,692
Cash and cash equivalents - beginning of year		**4,360,519**	1,758,827
Cash and cash equivalents - end of year	$	**4,667,860**	4,360,519

1. Activities and Incorporation

On 23rd December 2010, the La Resource Co-operative Credit Union by a resolution passed in accordance with Section 10 and 48 of the Co-operative Societies Act revised edition Chapter 12.06 of 2001 and regulation 19 of the Co-operative Society regulations amended its name to Mabouya Valley Co-operative Credit Union Society Limited. The La Resource Co-operative Credit Union Limited was previously registered as Society #31 in accordance with the provision of the Co-operative Society Law No 17 of the Laws of Saint Lucia (1946) and the regulations made on the 8th day of January 1980.

The registered office and principal place of business of the credit union is in the Mabouya Valley Basin, Saint Lucia. The objectives of the society are:

- To promote thrift among its members by providing ways and means whereby savings can be affected and whereby shares in the society can be acquired.
- To educate its members in the co-operative on principles and methods in family financial management and in the efficient management of its affairs.
- To undertake all other acts and things as are incidental or conducive to or consequential upon the attainment of the above objects.

The Financial Statements were approved for Issuance by the Board of Directors on 13th August, 2021.

2. New and revised International Financial Reporting Standards issued and adopted

Amendments to IAS 1- Presentation of Financial Statements and IAS 8- Accounting Polices, Changes in Accounting Estimates and Errors were issued in October 2018. The amendments are effective for annual periods beginning on or after January 1, 2021. The amendments update the definition of 'material' and the meaning of primary users of general-purpose financial statements. The amendments to IAS 1 do not have a significant impact on the classification of the Credit Unions liabilities.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Credit Union has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023. The Credit Union is currently assessing the impact of these new accounting standards and amendments.

3. Significant Accounting Policies

a. Basis of Preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31st December 2020 (The reporting date).

These financial statements of Mabouya Valley Co-operative Credit Union Society Limited are prepared under the historical cost convention except the following material items in the statement of financial position that are measured at fair value. Equity investments are recognised at fair value through other comprehensive income whereas, land and building measured at revalued amounts.

The Credit Union presents its statements of financial position on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the year-end date(current) and more than twelve months after the year-end date (non-current), present in the notes. The Credit Union classifies its expenses by the nature of expenses.

The following are non-current balances: non-current investment securities, property, plant and equipment, long- term portion of members' loans and advances, non-current savings, deposits and borrowing.

The following are current balances: cash and cash equivalents, current investment securities, current portion of loans and advances due within one year, accounts payables and accruals, and current shares and deposits, accounts receivable and prepaid expenses.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

b. Use of judgements and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies. Changes in assumption may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are the measurement of the expected credit loss allowance disclosed in note 5.

c. Interest Income and Expense

The accruals basis has been used for recording of income and expenses. Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the accrual method, except for held-to-maturity investments which use the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate. Once a financial asset has been written down as a result of a provision for loan loss, interest income is not recognised until received.

d. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

e*. Foreign Currency Translation*

Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency.

Transactions balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

f. Provisions

Provisions are recognized when the Credit Union has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense of any provision is recognized in the statement of comprehensive income. If the effect of the time value of money is risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

g. Taxation

The Credit Union is not liable to income taxes in accordance with section 25 (1) (q) of the Income Tax Act Cap 15.02 of the Revised Law of Saint Lucia.

h. Financial Instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, and loans to members, deposits and shares from members. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

i. *Dividends Distributions*

Dividends are based on the available earnings and are declared by the Board of Directors. Dividends distribution to the Credit Union's members are recognised as a liability in the Credit Union's financial statements in the period in which the dividends are approved by the Board of Directors.

j. Members' Equity

Members' shares are the savings and deposits accounts of the owners of the Credit Union. Share ownership of more than twenty shares at $5 each allows the member to vote in the election of the Board of Directors and other corporate matters. Each member has one vote and is subordinate to other liabilities in the Credit Union upon liquidation.

k. Reserves

Reserves are set aside by the Credit Union whereby allocations are transferred from retained earnings as necessary. Retained earnings include all prior and current period results of operations as disclosed in the statement of comprehensive income.

l. *Comparatives*

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year financial statements.

m. *Financial Assets*

The Credit Union classifies its financial assets into the following categories: Loans and advances, held-to-maturity investments and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Credit Union provides money, goods or services directly to a member with no intention of trading the receivable. Loans and advances are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method. Loans and advances are reported in the statement of financial position as members' loans and advances. Interest on loans and advances and investment securities are included in the statement of comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loans and advances and recognised in the statement of comprehensive income.

(ii) Held-to-Maturity investments

Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union management has the positive intention and ability to hold to maturity. Were the Credit Union to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iii) Available-for-sale investments

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are subsequently carried at fair value and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category is included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of "available-for-sale" financial assets are recognised in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. Interest calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the equity's right to receive payment is established.

Purchase and sales of held-to-maturity and available-for-sale investments are recognised on trade date - the date on which the Credit Union commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Credit Union has transferred substantially all risks and rewards or ownership.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Credit Union establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, and other valuation techniques commonly used by market participants.

n. Fees and Commission Income

Fees and commission are generally recognised on an accrual basis when the service has been provided.

o. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including cash on hand and non-restricted cash balances.

p. Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction cost and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method.

q. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the reducing balance method for property, plant and equipment to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Leasehold Improvement	20%	Computer Software	33.3%
Furniture and Equipment	10&15%	Computer and Equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

r. Classification and measurement of financial instruments

All financial assets are measured either at amortized cost, Fair Value through other comprehensive Income (FVOCI) or Fair Value through profit or loss (FVTPL) based on their contractual cash flow characteristics and the business model for managing the financial assets. All financial instruments are initially measurement at fair value. They are recognized at the trade date, when the Credit Union becomes a party to the contractual provisions of the instrument, and initially measured at fair value.

Transactions costs on financial instruments classified as FVTPL are expensed as incurred. For all other classifications of financial instruments, initial transaction costs are capitalized.

In order to meet the cash flow characteristics criteria for purposes of classifying as financial asset at amortized cost, the cash flow for the asset must be solely payment of principal and interest (SPPI) on the principal amount outstanding. Principle is defined as the fair value of the asset at initial recognition. Interest payments can include for the time value of money as well as credit and liquidity risk and certain profit margin.

The Credit Union's business models are determined in a manner that reflect how groups of financial assets are managed to achieve a particular business objective. The business models refer to how the Credit Union manages its financial assets in order to generate cash flows, that is, they reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgement and is based on all relevant evidence available at the date of the assessment.

The Credit Union's business models are defined as follows:

- Held to collect contractual cash flows:
- Held to collect contractual cash flows and sell:
- Other business models: the objective is not consistent with any of the above-mentioned business models and represent business objectives where assets are managed on a fair value basis.

Financial assets are not reclassified following their recognition, unless the business model for management of those financial assets change.

Financial assets measured at amortized cost

Financial assets are measured at amortized cost if they are held within the held to collect contractual cash flows business model and their contractual cash flows pass the SPPI test. The assets are initially recognized at fair value which is the cash consideration to originate or purchase the assets, including any transaction costs, and is subsequently measured at amortized cost using the effective interest rate method. Financial assets measured at amortized cost are reported in the statement of financial position as cash on hand, shares and term deposits held at Credit Union, loans outstanding and other assets. Interest is included in the statement of comprehensive income as apart of interest income.

For loans outstanding, allowance for loss is presented as a deduction in the loan's carrying value and is recognized in the statement of comprehensive income as provision for loan impairment.

Financial assets at fair value through other comprehensive income

Financial assets with the held to collect contractual cash flows and sell business model, where contractual cash flows meet the SPPI test, are measured at FVOCI. Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). There are no active markets for these shares, therefore the Credit union has determined that the carrying amount is indicative of fair value.

Financial assets measured at fair value through profit or loss

The financial assets at FVTPL comprise two sub-categories: financial assets required to be measured at fair value as a result of the business model for managing those assets and financial assets designed by the Credit Union as FVTPL upon initial recognition.

Equity instruments are measured FVTPL. Fair value changes are recorded as part of other income in the statement of comprehensive income.

Financial Liabilities measured at amortized cost

Financial liabilities not classified as FVTPL fall into this category and include members' withdrawable shares and deposits, accounts payable and accrued liabilities. These are measured at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Modifications and recognition

A modification occurs when a loan's original terms, payment schedule, interest rate and limit are renegotiated or modified, which results in a change to the loans' contractual cash flows. A modification is calculated by taking the net present value of the new contractual cash flows, discounted at the original effective interest rate less the current carrying value, with the difference recognized as a gain or loss. The asset will continue to be subject to the same assessments for significant increase in credit risk and stage migration prior to being modified.

s. Impairment of Financial Assets

The Credit Union records and allowance for loss for all assets that are measured at amortized cost or at FVOCI. Equity investments are not subject to impairment. Impairment losses are measured based on the estimated amount and timing of future cash flows, and collateral values.

For loans carried at amortised cost, impairment losses are recognised as an allowance for losses on the statement of financial position, and as a provision for loan loss on the statement of income and comprehensive income. Losses are based on a three-stage impairment model outlined below.

For financial assets measurement at FVOCI, the calculated allowance for loss does not reduce the carrying amount in the statement of financial position, which remains value, instead the allowance is recognized in OCI as an accumulated impairment amount and charged to profit or loss when the asset is derecognized.

t. Adoption of IFRS 9

IFRS 9 replaces the existing incurred loss model with a forward-looking expected credit loss (ECL) model. This model recognizes credit loss earlier than under IAS 39, as it will no longer be appropriate for entities to wait for incurred loss event to have occurred before credit losses are recognized.

Previously under IAS 39, provisions for credit loss would have been recognized only once there has been an incurred loss event. Under IFRS9 the scope of the scope of the impairment requirements has expanded to include for example, certain loan commitments and financial guarantees. There are three different approaches to applying the new IFRS 9 model.

1. The "simplified approach" which is applied to trade receivables, contract assets and lease receivables.
2. The "general approach" which is applied to all financial assets classified at amortised cost or fair value through other comprehensive income for debt as well issued loan commitments and financial guarantees that are within the scope of the new requirements.
3. The purchased or originated credit impaired approach which is applied to financial assets that are credit impaired at initial recognition.

The credit union follows the general approach.

u. Measurement of allowance for loss

The Credit Union recognizes an allowance for loss based on an impairment model that comprises three different stages:

- Stage 1: for financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered credit- impaired financial assets at initial recognition, an allowance for loss amounting to 12- month expected credit losses is recognized.
- Stages 2: for financial instrument that have had a significant increase in credit risk since initial recognition but are not considered-impaired financial assets, an allowance for the loss amounting to lifetime expected credit losses is recognized.
- Stage 3: for financial instruments that have had significant increase in credit risk since initial recognition but are not considered credit- impairment financial assets, an allowance for loss amounting to lifetime expected credit losses is recognized.

Stages 1 and 2 are considered to be performing loans and stages 3 consists of impaired loans. Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are categorized based on the change in credit risk from origination (initial recognition) to the current reporting date.

v. Significant increase in credit risk

Movement in the stages relies on the judgement to assess whether a loan credit risk has significantly increased relatively to the date the loan was initially recognized. For this assessment, an increase in credit risk is considered at the instruments level.

Assessing for significant increases in credit risk is performed quarterly based on the following factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved to the appropriate stage:

- Contractual cash flow obligations are more than 30 days past due: or
- An adverse change in the borrower's situation indicates that their ability to fulfill their contractual cash flow obligations has been reduced: or
- Forward-looking information indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced.

The Credit Union has not used the low credit risk exemption for any financial instruments in the years ended December 31st 2020 and December 31st 2019.

w. Forward-looking information

Forward-looking information is incorporated into the measurement of allowance for loss. The Credit Union performs historical analysis and identifies the key economic variables impacting credit risk and expected for each loan type. Forecasts of these economic variables are based on data from economic experts and consideration of variety of external, actual and forecast information that allows the Credit union to formulate a based case view of the future direction of relevant economic variables as well as representative range of other possible forecast scenarios. This process involves developing four additional economic scenarios and considering the relevant probabilities for each outcome.

(i) As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty therefore the actual outcome may be significantly different to those projected. The Credit Union considers these forecast to represent its best estimate of the possible outcomes and analyzes the non-linearities and asymmetries within the Credit Union's different portfolios to establish that the chosen scenarios are appropriately representative of the range possible scenarios.

Default

The Credit Union has defined instrument default as meeting at least one of the following criteria:

- 90 or more days due, unless other factors rebut this presumption
- Less than 90 days past due but the Credit Union has information indicating that the member is unlikely to pay their credit obligations in full. Examples include member bankruptcy and breach in covenants.

An instrument is no longer considered default when it no longer meets any of the default criteria

x. Derecognition of financial instruments

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or substantially all the risks rewards of the assets have been transferred. If the Credit Unions has neither transferred nor retained substantially all the risks and rewards of the financial asset, it will assess whether it has retained control over the asset. If the Credit Union determines that it has retained control over the asset. If the Credit Union determines that control has not been retained, it will derecognize the transferred asset.

Financial liabilities are derecognized when the obligation has been discharged, cancelled or expired.

y. Write-offs

The Credit Union writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: ceasing enforcement activity and where the Credit Unions recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovery in full. The Credit Union may write-off financial assets that are still subject to enforcement activity. The Credit Union still seeks to recover amounts it is legally owned in full, but which have been partially written-off due to no reasonable expectation of full recovery.

4. Financial Risk Management

Strategy in using Financial Instruments

By its nature, the Credit Union's activities are principally related to the use of financial instruments. The Credit Union accepts deposits from members and seeks to earn an interest margin by lending to members, while maintaining sufficient liquidity to meet claims as that may fall due. The Credit Union also seeks to raise its interest margins by obtaining above average margins, net of allowances, through investing in various financial instruments.

a) Credit Risk

The Credit Union takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date, significant changes in the economy or in the health of a particular industry segment that represents a concentration in the Credit Union's portfolio could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

The Credit Union structures the levels of credit risks it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis. Limits on the level of credit risk by products are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

The estimate of credit exposure is complex and requires the use of models, as the value of product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring of the associated loss ratios and of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

In measuring credit risk of loans and advances at a counterparty level, the Credit Union considers three components:

- the probability of default by the member or counterparty on its contractual obligations:
- current exposures to the counterparty and its likely future development, from which the Credit Union derives the exposure at default;
- likely recovery ratio on the defaulted obligations loss given default.

The maximum exposure to credit risk from financial assets, without taking into account any collateral held or other credit enhancements, is as follows.

4. (a) Commercial loans, mortgages and lines of credit

The Credit Union often takes security as collateral in a manner similar to other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral and prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. Collateral may include mortgages over commercial properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral. The Credit Union's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Credit Union since the prior period.

The Credit Union may foreclose on overdue loans by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Credit Union will seek to dispose of by sale. In some instances, the Credit Union may provide refinancing.

(a) Credit risk exposure relating to statement of financial position:

		2020	2019
Cash and cash equivalents	$	**4,667,860**	4,360,519
Investments		**5,472,002**	2,954,222
Account receivables and prepaid expenses		**689,251**	551,489
Loans and advances to members		**7,099,079**	8,336,332
		17,928,192	16,202,562

Credit risks in respect of loans and advances are limited as this balance is shown net of impairment losses on loans and advances. The maximum exposure to credit risk for loans and advances to members at the reporting date by category was: -

		2020	2019
Personal loans		**979,962**	781,812
Mortgages and real estate		**3,753,995**	3,820,980
Vehicle		**1,558,601**	1,926,470
Business		**202,862**	177,407
Agricultural		**36,793**	27,977
Refinancing		**240,463**	202,791
Promotional		**82,517**	1,038,931
Education		**68,461**	60,830
Debt consolidation		**754,044**	909,800
Other		**386**	-
	$	**7,678,084**	8,946,998

4. (b) **Liquidity Risk**

The Credit Union is exposed to daily calls on its available cash resources from members' shares, deposits and loan draw downs. The Credit Union does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Credit Union. It is unusual for Credit Union to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace at an acceptable cost interest bearing liabilities as they mature are important factors in assessing the liquidity of the Credit Union and its exposure to changes in interest rates.

The table below presents the cash flows payable by the Credit Unions for financial liabilities by remaining contractual maturity dates at the date of the financial statements. The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Credit Union manages the inherent liquidity.

	Carrying Amounts	6 months or less	6- 12 Months	1 - 2 Years	2 - 5 Years	More than 5 years
	$	$	$	$	$	$
As at December 31, 2020						
Account payables	142,938	127,938	15,000	-	-	-
Deposits from members	6,640,263	6,640,263	-	-	-	-
Withdrawable shares	9,215,332	9,215,332	-	-	-	-
	15,998,533	15,983,533	15,000			
As at December 31, 2019						
Account payables	99,705	84,705	15,000	-	-	-
Deposits from members'	5,589,456	5,589,456	-	-	-	-
Withdrawable shares	8,781,018	8,781,018	-	-	-	-
	14,470,179	14,455,179	15,000	-	-	-

4. *(c) Currency Risk*

The Credit Union takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Credit Union's exposure to currency risk is minimal since most of its assets and liabilities are held in Eastern Caribbean Dollars. The exchange rate of the Eastern Caribbean Dollar (XCD) to the United States Dollar (US$) has been formally pegged at XCD $2.70 = US$1.00 since 1974.

***(d)* Interest Rate Risk**

The Credit Union takes on the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The table below summaries the exposures to interest rate risks on the Credit Unions financial assets and financial liabilities. Amounts are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Immediately rate Sensitive $	1-3 Months $	3-`12 Months $	Greater than 12 months $	Non-interest Bearing $	Total $
Risk						
As at December 31, 2020						
Financial Assets						
Cash and cash equivalents	-	-	-	-	4,667,860	4,667,860
Investments	-		2,638,002	2,834,000	-	5,472,002
Accounts receivables and prepayments	-	1,553	46,117	54,035	587,546	689,251
Interest receivable	-	55,923	-	-	-	55,923
Loans and advances to members	-	426,506	1,326,283	5,925,295	-	7,678,084
Financial Liabilities						
Accounts payables	-	-	-	-	(142,938)	(142,938)
Deposits from members	(6,640,263)	-	-	-	-	(6,640,263)
Withdrawable shares	(9,215,332)	-	-	-	-	(9,215,332)
Total interest sensitivity gap	(15,855,595)	483,982	4,010,402	8,813,330	5,112,468	2,564,587
Net liquidity gap	(15,855,595)	(15,371,613)	(11,361,211)	(2,547,881)	2,564,587	-

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4. (d)

	Immediately rate Sensitive	1-3 Months	3-12 Months	Greater than 12 months	Non-interest Bearing	Total
	$	$	$	$	$	$
Risk						
As at December 31, 2019						
Financial Assets						
Cash and cash equivalents	-	-	-	-	4,360,519	4,360,519
Investments	-	-	2,954,222	-	-	2,954,222
Accounts receivables and prepayments	-	1,631	26,890	-	522,968	551,489
Interest receivable		45,533	-	-	-	45,533
Loans and advances to members	-	275,508	405,007	8,266,483	-	8,946,998
Financial Liabilities						
Accounts payables	-	-	-	-	(99,705)	(99,705)
Deposits from members	(5,589,456)	-	-	-	-	(5,589,456)
Withdrawable shares	(8,781,018)	-	-	-	-	(8,781,018)
Total interest sensitivity gap	(14,370,474)	322,672	3,386,119	8,266,483	4,783,782	2,388,582
Net liquidity gap	(14,370,474)	(14,047,802)	(10,661,683)	(2,395,200)	2,388,582	-

4. (d) At the reporting date, the carrying values of the Credit Union's interest-bearing, fixed – rate financial instruments were:

		2020	2019
Financial Assets			
Cash at bank – savings accounts only	$	**2,324,935**	261,818
Investments – Held to Maturity		**5,472,002**	2,954,222
Loans and advances to members		**7,099,079**	8,336,332
		14,896,016	11,552,372
Financial Liabilities			
Deposits from members		**6,640,263**	5,589,456
Withdrawable shares		**9,215,332**	8,781,018
	$	**15,855,595**	14,370,474

The table below summarises the interest rates on financial assets and liabilities held at the reporting date.

	2020 %	2019 %
Financial Assets		
Cash and cash equivalents	0- 0.50	0 – 0.50
Investments	3- 5.25	2.50 – 4.50
Members Loans and advances	9-12	9 -12
Financial Liabilities		
Deposits from members	0	0
Withdrawable shares	0	2

(e) ***Market Risk***

The Credit Union is not exposed to equity securities price risk because the Credit Union holds no investments classified on the statement of financial position as available-for-sale.

(f) Geographical Concentration of Risk

The area of operations of the Credit Union is the Mabouya Valley basin. Membership in the Credit Union is restricted primarily to residents not younger than 16 years of age. As a result of the restriction, its risk is concentrated to members in that area.

4. (g) Capital Risk Management

The Credit Union's objectives when managing capital are:

- To comply with statutory capital requirements of the Co-operative Societies Act Cap 12.06 of the revised laws of Saint Lucia;
- The Credit Union is guided by its loan policy and the regulations in the Co-operative Societies Act, taking into consideration changes in the economy or any particular segment that may represent a concentration in the Credit Union's portfolio;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for members' and benefits to other stakeholders; and
- To maintain a strong capital base to maintain members', creditors and other parties' confidence and to sustain future development of the Credit Union.

The Board of Directors monitors the return on members' investment, which is defined as surplus for the year divided by total shares, as well as the level of dividends to members.

4. (h) Fair Value Hierarchy

IFRS 7 specifies a hierarchy valuation technique based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Credit Union's market assumptions.

Where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date. The values derived from applying these techniques are significantly affected by the underlying assumption used concerning both amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used: -

The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

The fair value of variable-rate financial instruments is assumed to approximate their carrying amount.

Observable and unobservable inputs have created the following fair value hierarchy:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities. This includes listed equity securities and debt instruments on exchanges.

Level 2- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (that is, as prices) or indirectly (that is derived from prices).

Level 3- Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Credit Union's financial assets and financial liabilities are disclosed in the statement of financial position approximate their fair value.

4. (i) The following table shows the analysis of financial instruments measured at their fair value by level of the fair value hierarchy

	Level 1 $	Level 3 $	Total $
As at December 31, 2020			
Securities available for sale unlisted	-	-	-
	-	-	-
	-	-	-
As at December 31, 2019			
Securities available for sale unlisted	32,979	-	-
	(32,979)	-	-
	-	-	-

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Credit Union makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from the estimates and assumptions. The effects of a change in an accounting estimate is recognised prospectively by including it in the statement of comprehensive income in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a. Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess the expected credit loss at least on a quarterly basis. The measurement of the expected credit loss for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgements are also required in applying the accounting requirements for measuring expect credit loss, such as:

- determining criteria for Significant increase in credit risk
- choosing appropriate models and assumptions for the measurements of expected credit loss;
- establishing the number and relative weighing of forward- looking scenarios or each type of product and the
- associated expected credit loss: and
- establishing groups of similar financial assets for the purpose of measuring expected credit loss

The judgements, inputs, methodology and assumptions used for estimating the expected credit loss allowance are reviewed regularly to reduce any difference between the loss estimates and actual loss experience.

b. Impairment of available-for-sale equity investments

The Credit Union determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Credit Union evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows.

5. c. *Revaluation of land and buildings and investment property*

The Credit Union measures its land and building classified as property and equipment at revalued amounts with changes in fair value being recognized in other comprehensive income. Land and buildings classified as investment property are measured at fair value with changes being recognized in profit or loss. The Credit Union engages independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

d. *Going Concern*

The Credit Union's management is satisfied that it has the resources to continue in business for the foreseeable future. The Credit Union's management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern.

e. *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental cost of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for DCF model as well as the future cash inflows.

f. *Fair value of financial instruments*

For financial instruments, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value Is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Credit Union's best estimates of the most appropriate model assumption.

6. Cash and Cash Equivalents

For the purpose of the cash flows cash and cash equivalents comprise the following balances with less than three months maturity.

		2020	2019
Cash on hand	$	**463,834**	366,532
Bank of St. Lucia Limited - Current Account		**394,037**	230,945
1st National Bank St. Lucia Limited - Savings Account		**2,324,935**	261,818
1st National Bank St. Lucia Limited - Current Account		**1,485,054**	3,501,224
		4,667,860	4,360,519

7. Accounts Receivable and Prepaid Expenses

	2020	2019
Investment interest receivable	**100,151**	26,890
Western union receivable	**537,669**	495,705
Prepaid expenses	**1,553**	1,631
Other	**49,878**	27,263
	689,251	551,489

8. Members' Loans and Advances

	2020	2019
Members' Loans and Advances	**7,678,084**	8,946,998
Less: Provisions for Impairment of Loans	**579,005**	610,666
	7,099,079	8,336,332

9. Provision for Impairment of Loans

Movements in the provision for bad debts are as follows:

	2020	2019
Balance- at beginning of year	**610,666**	468,885
Charges for the year	**239,502**	141,781
Write-offs for the year	**(271,163)**	-
	579,005	610,666

9. Provision for Impairment of Loans *…(cont'd)*

Provision for Loans and advances to members are summarized as follows: -

Year: 2020

	Value	Stage 1	Stage 2	Stage 3	Total
Personal loans	**979,962**	47,893	-	15,769	63,662
Mortgages and real estate	**3,753,995**	264,028	-	20,721	284,749
Vehicle	**1,558,601**	50,221	-	7,382	57,603
Business	**202,862**	10,450	-	29,251	39,701
Promotional	**82,517**	10,342	-	16,059	26,401
Education	**68,461**	6,780	-	-	6,780
Debt consolidation	**754,044**	83,197	-	-	83,197
Agriculture	**36,793**	2,051	-	-	2,051
Refinancing	**240,463**	4,327	-	10,534	14,861
Other	**386**	-	-	-	-
	7,678,084	**479,289**	**-**	**99,716**	**579,005**
Allowance for loss	7,099,079	479,289	-	99,716	579,005

10. Investment Securities

			2020	2019
Held to Maturity	(i)	$	**5,472,002**	2,954,222
Total Investment Securities			**5,472,002**	2,954,222

(i) Held to Maturity

			2020	2019
Capita Finance Investment			**551,196**	534,319
Financial Investment & Consultancy Services Ltd.			**2,086,806**	1,585,903
British American - Fixed deposit (BAICO)			**102,292**	102,292
First Citizen's Investments Services Ltd.			**2,834,000**	834,000
Less: Fixed deposit impairment	(ii)		**102,292**	102,292
Total held to maturity investment		$	**5,472,002**	2,954,222

The fixed deposit held support the requirements for the liquidity reserves required to be maintained under section 119 (3) of the Co-operative Societies Act. Interest rates on fixed deposits range from 3% to 5.25% per annum.

(ii) BAICO

The investments for BAICO have been fully provided for against impairment.

11. Property, Plant and Equipment:

A breakdown of fixed assets is as follows:

		Furniture & Equipment	Computer & Equipment	Land	Computer Software	Leasehold Improvement	Total
Cost							
Cost at 31/12/18	$	71,973	91,511	275,591	25,199	96,325	560,599
Additions		5,218	8,672	-	-	-	13,890
Disposal		(822)	(595)	-	-	-	(1,417)
Cost at 31/12/19		76,369	99,588	275,591	25,199	96,325	573,072
Additions		31,398	3,702	-	-	-	35,100
Disposal		(29,361)	-	-	-	-	(29,361)
Cost at 31/12/20		78,406	103,290	275,591	25,199	96,325	578,811
Accumulated depreciation							
Accumulated depreciation - 31/12/18		41,841	62,188	-	-	82,002	186,031
Charge for the year		4,473	7,074	-	8,391	2,865	22,803
Disposal expense		(512)	(149)	-	-	-	(661)
Accumulated depreciation - 31/12/19		45,802	69,113	-	8,391	84,867	208,173
Charge for the year		3,094	6,900	-	5,597	2,292	17,883
Disposal expenses		(19,377)	-	-	-	-	(19,377)
Accumulated depreciation - 31/12/20		29,519	76,013	-	13,988	87,159	206,679
Net Book Value							
Net Book Value - 31/12/20		48,887	27,277	275,591	11,211	9,166	372,132
Net Book Value - 31/12/19		30,567	30,475	275,591	16,808	11,458	364,899
Net Book Value - 31/12/18	$	30,132	29,323	275,591	25,199	14,323	374,568

12. Borrowing

This is a 1.0% per annum interest bearing loan from the Mabouya Valley Development Program for the purpose of facilitating a micro project program. The loan is payable in quarterly instalments. The loan has been outstanding for over fifteen (15) years. The Credit Union proposes to obtain forgiveness from the Government of Saint Lucia. The Board of Directors on July 21st, 2021, authorized the writing-off of the loan borrowed.

13. Accounts Payable and Accruals

		2020	2019
Trade payable	$	**21,444**	19,062
Other payable		**25,494**	20,643
Rent payable		**96,000**	60,000
		142,938	99,705

14. Members' Shares and Deposit

Members' Deposit

		2020	2019
Balance - beginning of year		**5,589,456**	4,304,603
Deposit made		**12,903,723**	12,014,904
Deposit withdrawn		**(11,852,916)**	(10,730,051)
Balance - end of year	$	**6,640,263**	5,589,456

Members' Shares		**2020 Number of Shares**	**2020 Share Capital**	2019 Number of Shares	2019 Share Capital
Balance - beginning of year	$	**1,756,204**	**8,781,018**	1,506,516	7,532,578
Shares purchased		**570,388**	**2,851,942**	743,424	3,717,120
Shares withdrawn		**(483,526)**	**(2,417,628)**	(493,736)	(2,468,680)
Balance - end of year	$	**1,843,066**	**9,215,332**	1,756,204	8,781,018

15. Permanent Shares

At a special meeting dated 18th August 2012, By-Law 14 was amended to incorporate a By-Law relating to permanent shares to be included as By-Law 14 (2). The applicant upon acceptance and payment of at least twenty (20) permanent shares shall be enrolled as a member and shall be entitled to any of the rights or privileges of membership.

		2020	2019
Number of Shares		**172,971**	154,412
Share Capital	$	**864,857**	772,058

16. Statutory Reserve

The society maintains a reserve fund pursuant to Section 119 (2) of the Act, in which not less than twenty-five percent (25%) of the net surplus before dividends are carried. In addition, all entrance fees, transfer and other fines are carried to this fund.

		2020	2019
Opening balance	$	**680,454**	591,514
Transfer from education and development fund		**280,253**	-
		960,707	591,514
Entrance fee		**1,509**	691
Add: 25% net surplus for the year		**55,154**	88,249
Closing Balance		**1,017,370**	680,454

17. Education Fund

In accordance with a resolution passed by members, when the society indicates a surplus at least 10% of the surplus will be transferred to the education fund.

Opening balance	$	**124,084**	130,170
Transfer to statutory reserve		**(99,267)**	-
		24,817	130,170
Add: 10% net surplus for the year		**22,062**	35,299
Less: Training		**12,025**	41,385
Closing balance		**34,854**	124,084

18. Development Fund

In accordance with Section 120 of the Act, the Society shall establish and maintain a development fund by contributing an amount not exceeding 10% of the society's realised surplus to the National League.

Opening balance		**226,233**	190,934
Transfer to statutory reserve		**(180,986)**	-
		45,247	190,934
Add: 10% net surplus for the year		**22,062**	35,299
Closing balance	$	**67,309**	226,233

19. Operating Expenses

		2020	2019
Security expenses	$	**36,206**	37,044
License fees		**4,015**	4,149
Legal fees		**5,000**	-
Stationery and office supplies		**43,591**	46,246
League dues		**-**	5,000
Auditing fees		**15,000**	13,500
Insurance		**6,549**	6,472
Bad debt		**-**	4,700
Special events		**1,305**	5,437
Total operating expenses		**111,666**	122,548

20. Personnel Expenses

Salaries and wages		**166,988**	172,681
Staff expenses		**11,272**	7,111
Total personnel expenses		**178,260**	179,792
Average number of employees		**8**	8

21. Member Meeting Expenses

Advertising and promotions		**8,157**	-
Donation		**1,600**	8,350
AGM expenses		**19,810**	16,062
Credit union week		**-**	2,370
Total marketing expenses		**29,567**	26,782

22. Occupational Expenses

Utilities		**34,792**	32,729
Repairs and maintenance		**22,971**	8,929
Depreciation expense		**17,883**	22,803
Rent expense		**36,000**	36,000
Travelling expense		**706**	1,068
Total occupational expenses		**112,352**	101,529

23. Board and Committee Expenses

Meeting and other expenses		**9,359**	14,450
Total board and committee expenses	$	**9,359**	14,450

24. Other Income

Commission and foreign exchange gains		**76,405**	60,361
Fees for statement and other income		**77,899**	24,967
Sale of passbooks		**2,270**	2,380
Recovered loans		**21,855**	50,582
Sub lease		**-**	7,250
(Loss)/Gain on assets		**(9,984)**	(756)
Total other income	**$**	**168,445**	144,784

25. Fair Values of Financial Assets and Liabilities

Fair Value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The estimated fair values have been arrived at by the credit union using available market information and appropriate valuation methods. However, considerable judgement is necessarily required to interpret market data to develop an estimate of market values. Accordingly, the estimates presented herein are not indicative of the amount that the credit union would realise in a market exchange.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is possible to estimate market values.

Cash resources and other assets and liabilities
The fair values of cash resources and other assets and liabilities are assumed to approximate their carrying values due to their short-term nature.

Investment Securities
The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

Loans and advances to members
The estimated fair value of loans and advances to members are determined by discounting contractual future cash flows, over the remaining term to maturity, at current interest rates. The impact of delinquent loans on the estimation of fair values is not expected to have a material effect on delinquent loans are valued at net of provisions made. The estimated fair values of loans are not significantly different from their carrying values.

Members Shares and Deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

26. Commitments and Contingencies

The Credit Union is a party to various legal actions associated with collecting loan and associated with financial institutions, the aggregate of which, in management opinion, would not have a material adverse effect on the financial condition or results of operation on the credit union. The credit union has no outstanding commitments to sell investments at 31st December 2020.

27. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, the Credit Union extends credit to members of the Board of Directors, credit committee, supervisory committee members and other key management personnel. These transactions are entered into with related parties at Credit Union lending rates.

		Management Personnel	Committee Members	Board of Directors	Total
Loan outstanding at 1st January, 2018	$	71,029	210,589	188,244	469,862
Net issued during the year		(3,730)	(109,007)	(95,771)	(208,508)
Loan outstanding at 1st January,2019		67,299	101,582	92,473	261,354
Net issued during the year		(9,020)	19,929	(37,292)	(26,383)
Loan outstanding at 31st December, 2020		58,279	121,511	55,181	234,971

The following are the aggregate of Shares and Deposits of Board of Directors, members of the supervisory and credit committees and other management personnel.

		Management Personnel	Committee Members	Board of Directors	Total
Shares & Deposits at 1st January, 2018		27,576	125,000	101,328	253,904
Net savings during the year		5,177	(60,881)	(40,367)	(96,071)
Shares & Deposits at 1st January,2019		32,753	64,119	60,961	157,833
Net savings during the year		1,425	29,584	(10,210)	20,799
Shares & Deposits at 31st December, 2020	$	34,178	93,703	50,751	178,632

28. Co-operative Societies Act Compliance Requirements

Liquidity Reserve Requirements

Under section 119 (3a) of the Act the Credit Union is to maintain a liquidity investment calculated at 15% of members' shares and deposits at year end and this amounted to **$2,378,399** (2019: $2,155,571).

The liquid assets at the year-end comprised:

		2020	2019
Cash	$	**4,667,860**	4,360,519
Investment Securities		**5,472,002**	2,954,222
Total investment securities and cash	$	**10,139,862**	7,314,741
Total investment securities and cash		**10,139,862**	7,314,741
Total members savings and deposit		**16,720,452**	15,142,532
Liquidity ratio		**61%**	48%

The Credit Union is therefore in compliance with the liquidity reserve requirement as at the December 31st, 2020 (2019: in compliance).

Statutory Reserve Requirements

Section 119 (3b) of The Co-operative Societies Act requires that statutory and other reserves at no stage be less than 10% of its total liabilities.

The Credit Union's reserves to liabilities ratio is as follows: -

		2020	2019
Statutory and other reserves	$	**1,084,679**	1,030,771
Total liabilities		**15,998,533**	14,525,899
Reserves to liabilities ratio		**7%**	7%

The Credit Union is therefore not in compliance with the reserve requirement as at December 31, 2020 and 2019.

29. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel corona virus (COVID-19) as a global pandemic in 2020. The pandemic caused a decline in the world economies, with every country around the world experiencing a decline in the GDP. The virus resulted in a decline in tourism arrival which had the effect of causing widespread loss of income and jobs in many sectors, including wholesale, retail, restaurants, and hotels sector. The periodic shutdown of various sectors of the economy has resulted in a decrease in government revenues, it is estimated that the GDP contracted by 18 percent in 2020.

The Management of the Credit Union is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary. There is uncertainty about the length and potential impact of the disturbance. The Credit Union's Management is unable to estimate the potential impact on the Credit Union's operations as at the date of these financial statements.